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TO SECSTATE WASHDC 4350

INFO AMEMBASSY AMMAN

AMEMBASSY CAIRO

AMEMBASSY DAMASCUS

AMEMBASSY JIDDA

AMEMBASSY KUWAIT

AMEMBASSY TEHRAN

C O N F I D E N T I A L SECTION 1 OF 7 BAGHDAD 0559

FROM THE PRINCIPAL OFFICER

E.O. 11652: GDS

TAGS: AMGT PFOR IZ US

SUBJECT: PARM - ANNUAL POLICY AND RESOURCE ASSESMENT - PART I

REF: CERP 0001

1. U.S. INTERESTS

IRAQ HAS THE POTENTIAL TO BECOME A MAJOR POWER IN THE MIDDLE EAST. THIRD LARGEST OIL PRODUCER IN THE AREA DURING 1976, IRAQ HAS ESTIMATED OIL RESERVES EXCEEDED ONLY BY SAUDI ARABIA AND IS ONE OF THE TWO COUNTRIES IN THE AREA WHICH COULD SUBSTANTIALLY INCREASE ITS OIL PRODUCTION TO MEET WESTERN ENERGY NEEDS. DURING THE NEXT TWO YEARS, THE PRIMARY U.S. ECONOMIC INTEREST IN IRAQ WILL BE THE AVAILABILITY OF IRAQI CRUDE AT ACCEPTABLE PRICES TO THE INTERNATIONAL OIL MARKET.

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2. WITH A GNP APPROACHING \$20 BILLION TWO YEARS HENCE AND A DEVELOPMENT PLAN WHICH MAY TOTAL \$40 BILLION OVER THE NEXT FIVE YEARS, IRAQ WILL BE AN INCREASINGLY IMPORTANT MARKET FOR U.S. GOODS AND SERVICES. EXPANDED SALES TO IRAQ COULD HELP THE UNITED STATES ECONOMY MEET THE INCREASINGLY HEAVY BURDEN OF FINANCING ITS CRUDE OIL

IMPORTS.

3. IRAQ'S HUMAN AND NATURAL RESOURCES GIVE IT THE POTENTIAL TO PLAY EITHER A CONSTRUCTIVE OR A DESTABILIZING ROLE IN THE ARAB WORLD, OPEC, AND THIRD-WORLD ARENAS. IT HAS AN ABUNDANT AGRICULTURAL POTENTIAL BASED ON TWO MAJOR RIVERS AND VAST AREAS OF TILLABLE SOIL, SIGNIFICANT MINERAL RESOURCES AND A SUBSTANTIAL BUT NOT OVERLY NUMEROUS POPULATION. BY AREA STANDARDS, THE EDUCATED ELITE AND THE SKILLED WORKFORCE ARE LARGE AND THE GOVERNMENT BUREAUCRACY IS WELL EDUCATED.

4. IRAQ HAS OFTEN PRESSED POLICIES CONTRARY TO BROAD U.S. OBJECTIVES. IRAQ IS A PRIMARY SUPPORTER OF PALESTINIAN EXTREMISTS AND HAS ASSISTED THEM IN CONDUCTING TERRORIST OPERATIONS. IT IS ATTEMPTING TO ORGANIZE A "REJECTION FRONT" IN OPPOSITION TO CURRENT EFFORTS FOR AN ARAB-ISRAELI SETTLEMENT AND ACTIVELY INTERVENED IN LEBANON IN SUPPORT OF ELEMENTS ATTEMPTING TO OVERTURN THE STATUS QUO. IT HAS ENGAGED IN SUBVERSION AGAINST STATES FRIENDLY TO THE U.S. AND TAKES A HARD LINE TOWARD THE ARAB BOYCOTT OF ISRAEL. IRAQ IS IDEOLOGICALLY HOSTILE TO THE UNITED STATES, AND ITS GOVERNMENT-CONTROLLED MEDIA SPEWS OUT A STEADY STREAM OF ANTI-U.S. PROPAGANDA. IRAQ VIGOROUSLY PUSHES FOR HIGHER OIL PRICES AND TAKES A GENERALLY REDICAL POSITION ON NORTH-SOUTH ISSUES. IN THE EAST-WEST STRATEGIC BAANCE, THE SOVIET UNION ENJOYS BETTER RELATIONS WITH IRAQ THAN ELSEWHERE IN THE ARAB WORLD. FORTUNATELY, THE SAME DOCTRINAIRE APPROACH WHICH HAS

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OFTEN PITTED IRAQ AGAINST U.S. OBJECTIVES HAS SO FAR SERVED TO ISOLATE IRAQ FROM MANY COUNTRIES WHICH MIGHT BE SUSCEPTIBLE TO ITS INFLUENCE, AND THIS HAS DECREASED THE EFFECTIVENESS OF IRAQ'S CONFRONTATIONAL POLICIES.

5. THE IRAQI REGIME HAS FOLLOWED INTERNAL POLICIES WHICH SEEK TO RAISE THE ECONOMIC AND SOCIAL STANDARDS OF THE POORER IRAQIS BUT WHICH ARE CARRIED OUT BY ARBITRARY AND BRUTAL POLICE-STATE METHODS. MEMBERS OF THE KURDISH, JEWISH AND CHRISTIAN MINORITIES HAVE TIES WITH THE UNITED STATES BASED ON EMIGRATION AND HAVE IN THE PAST EXPRESSED THEIR GRIEVANCES THROUGH THE MEDIA OR MEMBERS OF CONGRESS. A GROWING AMERICAN BUSINESS COMMUNITY IN IRAQ NEEDS PROTECTION FROM ARBITRARY GOVERNMENT ACTIONS DICTATED BY AN EXCESSIVE PREOCCUPATION WITH SECRECY AND SECURITY. A COUNTERVAILING FACTOR IS THE IRAQI DESIRE FOR ACCESS TO WESTERN TECHNOLOGY. THIS LEADS TTHE GOI TO PERMIT A STEADY FLOW OS U.S. COMMERCIAL VISITORS TO IRAQ AND TO SUPPORT A VAST PROGRAM OF TRAINING FOR IRAQIS IN U.S. EDUCATIONAL

INSTITUTIONS, DESPITE THE REGIME'S POLICY OF DISCOURAGING
CONTACTS BETWEEN IRAQIS AND FOREIGN NATIONALS.

6. OVERVIEW: IMPASSE IN U.S. - IRAQI RELATIONS
SINCE THE GOI REOPENED THE IRAQI MARKET TO IMPORTS FROM
THE U.S., THE USG HAS SOUGHT TO USE THE "COMMERCIAL WEDGE"
FOR DEVELOPING RELATIONSHIPS IN OTHER REALMS.
U.S. EXPORTS TO IRAQ HAVE GROWN FROM 60 MILLION DOLLARS
IN 1973 TO 382 MILLION DOLLARS IN 1976. THIS MAKES THE
U.S. IRAQ'S THIRD RANKING SUPPLIER OF NON-MILITARY GOODS
AND SERVICES. DURING THIS TIME THERE HAS BEEN A GRADUAL
UPGRADING IN THE LEVEL OF DIALOGUE BETWEEN USINT AND THE
GOI, BUT THE INCREASE IN COMMERCAIL RELATIONS HAS NOT YET
LED TO A SIGNIFICANT POLITICAL BREAKTHROUGH. IN FACT,
IN THE SHORT TERM, THE "SPILL-OVER" EFFECT BETWEEN
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C O N F I D E N T I A L SECTION 2 OF 7 BAGHDAD 0559

FROM THE PRINCIPAL OFFICER

COMMERCIAL AND OTHER REALMS MAY BE WORKING IN REVERSE AS U.S.-IRAQI DIFFERENCES OVER THE BOYCOTT, ESSENTIALLY A POLITICAL ISSUE, HARM U.S. COMMERCIAL INTERESTS. ON THE OTHER HAND, IRAQ'S DESIRE FOR ACCESS TO U.S. TECHNOLOGY PROBABLY RESTRAINS THE REGIME FROM MORE EXTREME ACTIONS CONTRARY TO U.S. INTERESTS. IN FACT, IRAQI DECISION MAKERS PROBABLY OVERESTIMATE THE WILLINGNESS OF THE USG TO CONTROL PRIVATE COMMERCE FOR POLITICAL PURPOSES.

7. WHILE THERE HAS BEEN SOME UPGRADING IN THE LEVEL OF CONTACTS, THE GOI HAS BEEN UNWILLING TO RESPOND TO OUR EFFORTS TO BROADEN THE SCOPE AND SUBSTANCE OF OUR POLITICAL DIALOGUE. WITH MINOR EXCEPTIONS, THE GOI DOES NOT RECOGNIZE THAT THERE ARE NON-COMMERCIAL AREAS WHERE AN EXCHANGE OF OFFICIAL VIEWS AND INFORMATION WOULD BE USEFUL. THIS LACK OF ACCESS TO POLITICAL DECISION
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MAKERS AND OPINION MOLDERS IS NOT UNIQUE TO U.S.-IRAQI RELATIONS. OTHER WESTERN AND, FOR THAT MATTER, ARAB GOVERNMENTS FIND THAT THE IRAQI GOVERNMENT DOES NOT ENCOURAGE AND, IN MOST CASES, DOES NOT TOLERATE A REGULAR POLITICAL DIALOGUE EVEN THOUGH THEY HAVE FULL DIPLOMATIC RELATIONS. WHILE THIS LACK OF OPENNESS IS A MATTER OF DEGREE AND WHILE SOME COUNTRIES FARE BETTER THAN THE REST, OUR ABSENCE OF FORMAL DIPLOMATIC RELATIONS IS ONLY A SYMPTOM, NOT A CAUSE, OF THE COOLNESS IN U.S.-IRAQI RELATIONS. THE REAL REASON FOR THE LACK OF DIALOGUE IS IRAQI INSECURITY AND SECRETIVENESS WHICH STEMS FROM THEIR FEAR OF MANIPULATION BY OUTSIDE INTERESTS.

8. ALTHOUGH THE IRAQI GOVERNMENT-CONTROLLED MEDIA IS NOW VOCIFEROUSLY OPPOSING ALL EFFORTS TO BRING ABOUT AN ARAB-ISRAELI SETTLEMENT, THE GOI DOES NOT APPEAR TO BE TAKING ANY OTHER MORE CONCRETE STEPS TO BLOCK PROGRESS TOWARDS A SETTLEMENT. THE LACK OF ADDITIONAL EFFORT CAN BE EXPLAINED ON THE GROUNDS THAT A) THE GOI DOES NOT BELIEVE THAT SETTLEMENT EFFORTS WILL SUCCEED, AND B) THE GOI HOPES TO USE SYRIAN INVOLVEMENT IN SETTLEMENT EFFORTS AS ANNUMITION TO UNDERMINE THE SYRIAN REGIME. IF THE IRAQI REGIME CHANGES ITS ASSESSMENT AND CONCLUDES THAT SETTLEMENT EFFORTS MIGHT SUCCEED, IT IS QUITE POSSIBLE THAT THE IRAQIS WILL LAUNCH A MORE ACTIVE OVERT AND COVERT CAMPAIGN TO BLOCK A SETTLEMENT DRAWING ON WHATEVER RESOURCES IT CAN MUSTER AMONG THE "REJECTION FRONT" AND UTILIZING THE EXTREMIST PALESTINIAN GROUPS NOW BASED IN IRAQ FOR TERRORIST OPERATIONS. IF THE SETTLEMENT PROCESS STILL REACHES A SUCCESSFUL CONCLUSION DESPITE THE EFFORTS OF

THE "REJECTION FRONT", WE WOULD EXPECT THE IRAQIS
EVENTUALLY TO FALL INTO LINE AND GRUDGINGLY ACCEPT THE
NEW STATUS QUO, ALTHOUGH THE IRAQIS WILL CERTAINLY BE
AMONG THE LAST OF THE ARABS TO DO SO. WHEN THIS POINT
IS REACHED, WE COULD EXPECT A SIGNIFICANT IMPROVEMENT
IN U.S.-IRAQI RELATIONS.

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9. ALTERNATE SCENARIOS EXIST. A BREAKDOWN OF SETTLEMENT
EFFORTS LEADING TO ANOTHER ARAB-ISRAELI WAR WOULD UNDO
MUCH IF NOT ALL OF THE PROGRESS PAINFULLY ACHIEVED IN
U.S.-IRAQI RELATIONS DURING THE PAST FEW YEARS. PROLONGED
DELAY OF SETTLEMENT EFFORTS COULD MEAN STAGNATION OF THE
U.S.-IRAQI RELATIONSHIP AT ABOUT ITS PRESENT LEVEL.

10. OVERVIEW: ECONOMIC ENVIRONMENT
IRAQI POLICY WILL LIKELY CONTINUE TO COINCIDE WITH U.S.
INTERESTS ON OIL PRODUCTION BUT CONFLICT SHARPLY ON
OIL PRICING. AN ADVOCATE OF THE USE OF THE "OIL WEAPON"
FOR POLITICAL LEVERAGE, IRAQ LIKELY WILL NOT BE ABLE
TO USE THE "WEAPON" SERIOUSLY TO AFFECT U.S. INTERESTS
EXCEPT IN COOPERATION WITH OTHER OIL PRODUCING COUNTRIES.

11. ON THE GROUNDS THAT LACK OF EXPLORATION IN IRAQ
DURING THE 13-YEAR NEGOTIATIONS FOR THE NATIONALIZATION
OF THE OIL SECTOR UNFAIRLY LIMITED IRAQI PRODUCTION, IRAQ
WILL SEEK TO INCREASE ITS SHARE OF THE INTERNATIONAL OIL
MARKET AND WILL BECOME AN INCREASINGLY IMPORTANT SUPPLIER
IN FUTURE YEARS. THE IRAQI PRODUCTION CAPACITY IS ESTIMATED
TO HAVE INCREASED 500,000 BARRELS/DAY IN 1976 (TO OVER
3 MILLION BARRELS/DAY), AND CONTINUED EXPLORATION AND
DEVELOPMENT OF NEW FIELDS PORTEND FURTHER EXPANSION OF
PRODUCTION CAPACITY. IN ADDITION, WITH THE COMPLETION OF
THE SOUTHERN "STRATEGIC PIPELINE" TO THE GULF IN 1975 AND
THE COMING INTO OPERATION OF THE NORTHERN PIPELINE THROUGH
TURKEY IN 1977, IRAQ WILL HAVE THE CAPACITY TO DELIVER
CRUDE AT EITHER GULF OR MEDITERRANEAN PORTS.

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FROM THE PRINCIPAL OFFICER

12. A MARGINAL SUPPLIER TO THE U.S. UNTIL A FEW MONTHS
AGO, THE IRAQ NATIONAL OIL COMPANY HAS JUST SIGNED A
CONTRACT WITH A U.S. COMPANY PROVIDING FOR DELIVERY
TO UNITED STATES REFINERIES OF 100,000 BARRELS A DAY FOR
THE NEXT THREE YEARS. THIS PURCHASE ALONE WILL
NEUTRALIZE AND PROBABLY REVERSE THE CURRENTLY FAVORABLE
U.S.-IRAQI TRADE BALANCE.

13. IRAQ'S EXTREME VIEWS ON MOST POLITICAL AND ECONOMIC
ISSUES HAVE PREVENTED IT FROM WIELDING INFLUENCE IN
OPEC COMMENSURATE WITH THE SIZE OF ITS OIL PRODUCTION.
CONSISTENTLY FAVORING HIGHER OIL PRICES, IRAQ HAS NONETHE-
LESS FREQUENTLY UNDERCUT AGREE OPEC PRICES WHEN NECESSARY
TO MAKE SALES. THERE IS NO REASON TO DOUBT THAT IT WILL
CONTINUE THIS PRACTICE, WHICH WORKS TO THE DETRIMENT OF
OPEC BUT TO THE BENEFIT OF PURCHASERS AND IRAQ ITSELF.
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14. IRAQ HAS OCCASIONALLY ADVOCATED THE USE OF THE ARAB
"OIL WEAPON" TO GAIN POLITICAL LEVERAGE, MOST RECENTLY
AGAINST THE U.S. TO INFLUENCE ANTI-BOYCOTT LEGISLATION.
IN THE EVENT OF AN ARAB-ISRAELI CRISIS, IRAQ WOULD STRONGLY
FAVOR OPEC STATES' CUTTING CRUDE DELIVERIES TO ISRAELI
SUPPORTERS. WITHOUT THE COOPERATION OF ITS OPEC
PARTNERS, HOWEVER, IRAQ WILL LIKELY CONTINUE TO HAVE
LIMITED SCOPE TO USE ITS "OIL WEAPON". FOR EXAMPLE, WHEN
IRAQ CUT OIL DELIVERIES TO SYRIA IN 1976, THE SAUDIS
QUICKLY ACTED TO MEET SYRIA'S REQUIREMENTS. IN ANY SUCH

CIRCUMSTANCES, IRAQ'S NEED FOR OIL REVENUE WOULD SERVE AS A RESTRAINT. AS IN 1973, IRAQ MIGHT AGREE TO PLACE AN EMBARGO ON CERTAIN PURCHASERS BUT INSIST ON MAINTAINING ITS PRODUCTION LEVELS, THEREBY HOPING TO INCREASE ITS SHARE OF THE MARKET. MOREOVER, ITS FOREIGN ASSETS, NOW APPROACHING FOUR BILLION DOLLARS AND HELD TO A LARGE EXTENT IN EASTERN EUROPEAN COUNTRIES, WILL NOT LIKELY GROW TO SUFFICIENT SIZE IN THE NEXT TWO YEARS TO GIVE THE IRAQIS FORMIDABLE FINANCIAL RESOURCES TO COMPLEMENT ITS OIL PRODUCTION AS PART OF THE "OIL WEAPON".

15. THE DRAMATIC INCREASE IN U.S. EXPORTS SINCE 1972 MAY LEVEL OUT OR DROP DURING THE NEXT TWO YEARS. IN GENERAL, U.S. FIRMS HAVE FOUND IRAQ A PROMISING BUT DIFFICULT MARKET. ON THE ONE HAND, THE \$40-50 BILLION IRAQI 1976-1980 FIVE-YEAR DEVELOPMENT PLAN OFFERS ENTICING PROSPECTS FOR U.S. FIRMS. FURTHERMORE, UNTIL IRAQ IS SELF-SUFFICIENT IN FOOD PRODUCTION, FIVE TO TEN YEARS HENCE, THE COUNTRY WILL ALSO REMAIN A SIZABLE MARKET FOR U.S. AGRICULTURAL EXPORTS. ON THE OTHER HAND, U.S. FIRMS ARE NOW FACING SERIOUS BOYCOTT PROBLEMS AND HAVE FREQUENTLY FOUND THAT THEY CAN PRODUCE PROFITABLE RESULTS MORE QUICKLY IN THE LESS CENTRALIZED ECONOMIES OF THE OTHER OIL-RICH STATES IN THE AREA. THE BUREAUCRATIC OBSTACLES TO OPERATING IN IRAQ AND THE FACT THAT U.S. FIRMS

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DO NOT ENJOY THE FAVORED ACCESS THEY DO IN SAUDI ARABIA AND SOME OTHER GULF STATES LIMIT THE EXTENT TO WHICH THEY ARE WILLING TO PURSUE IRAQI PROJECTS.

16. PARTICULARLY VEXING IS THE BOYCOTT PROBLEM. IRAQ'S EXTREMELY FIRM STANCE CONCERNING THE ARAB LEAGUE BOYCOTT OF ISRAEL SERIOUSLY THREATENS TO IMPEDE U.S.-IRAQI TRADE. THE NEW ANTI-BOYCOTT LEGISLATION NOW PENDING IN CONGRESS WILL PROBABLY BE MET BY A HARDENING OF THE IRAQI POSITION. THE MOST LIKELY OUTCOME IS AN IRAQI POLICY OF PRAGMATIC EXCEPTIONS FROM BOYCOTT REQUIREMENTS FOR THE ITEMS THAT IT PARTICULARLY WANTS OR CAN ONLY PROCURE FROM THE U.S. (E.G., BOEING AIRCRAFT, SPARE PARTS, SOME MEDICINES), RESULTING IN A SUBSTANTIAL DROP IN U.S.-IRAQI TRADE.

17. FROM A COMMERCIAL PERSPECTIVE, A SETBACK TO U.S. INTERESTS APPEARS QUITE POSSIBLE DURING THE NEXT TWO YEARS. THE LONG-TERM PROSPECTS, HOWEVER, MAY BE DIFFERENT IF ONE TAKES INTO CONSIDERATION TRADE WITH ALL OECD COUNTRIES AND VIEWS U.S. INTERESTS MORE BROADLY. THE IRAQI DECISION IN 1973 TO ALLOW WESTERN FIRMS AGAIN TO OPERATE IN IRAQ SET A COURSE THAT COULD EVENTUALLY HAVE A MODERATING EFFECT ON BOTH IRAQI POLITICAL AND ECONOMIC

BEHAVIOR. FROM THIS PERSPECTIVE THE MOST SIGNIFICANT
POLITICO-ECONOMIC EVENT IN THE PAST HALF DECADE IS THE
CHANGE IN THE IRAQI TRADE PATTERN. IN THE EARLY 70'S
IRAQ PURCHASED A LARGE PROPORTION OF ITS NON-MILITARY
IMPORTS FROM THE EASTERN EUROPEAN COUNTRIES AND THE SOVIET

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FROM THE PRINCIPAL OFFICER

UNION. IN 1975 THE OECD COUNTRIES PROVIDED 76 PERCENT
OF IRAQ'S NON-MILITARY IMPORTS, WHEREAS THE SOVIET UNION
AND EASTERN EUROPE PROVIDED ONLY 8 PERCENT. TRADE LOST
TO THE UNITED STATES AS A RESULT OF THE ANTI-BOYCOTT
LEGISLATION WILL PROBABLY BE PICKED UP BY OTHER OECD
COUNTRIES AND THE WESTWARD SHIFT IN TRADE PATTERNS WILL
CONTINUE.

18. OVERVIEW: POLITICAL ENVIRONMENT
THE IRAQI AUTHORITIES ARE OBSESSED WITH SECURITY, DESPITE
THE REGIME'S APPARENTLY STRONG HOLD ON THE LEVERS OF POWER.
IRAQ'S HISTORY OF POLITICAL INSTABILITY AND FREQUENT
COUPS, CONTRASTS DRAMATICALLY WITH THE RECORD SINCE THE
BAATH PARTY RESUMED POWER IN 1968. THE DOMINANT WING OF THE
IRAQI BAATH PARTY, LED BY PRESIDENT BAKR AND HIS DEPUTY,
SADDAM HUSSEIN, HAVE SHUNTED ASIDE OPPONENTS WITHIN THE

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PARTY, SET UP A VAST NETWORK OF SUPPORTERS WITHIN THE MILITARY AND SECURITY AGENCIES AND PURGED ELEMENTS WHOSE LOYALTY WERE SUSPECT. THEY REACHED A SETTLEMENT OF IRAQ'S LONG-STANDING DISPUTES WITH IRAN WHICH ENABLED THEM TO END ALL BUT MINOR KURDISH DISSIDENCE. BAKR AND HUSSEIN CONTROL AN OMNIPRESENT INTELLIGENCE AND SECURITY APPARATUS WHICH CRACKS DOWN QUICKLY AND RUTHLESSLY ON ANY SIGN OF OPPOSITION FROM LOCAL COMMUNISTS, RESTLESS SHIA MUSLIMS OR AMBITIOUS GROUPS WITHIN THE DOMINANT SUNNI MUSLIM COMMUNITY. THE OIL BOOM IS FUELING ECONOMIC AND SOCIAL DEVELOPMENT WHICH IS SATISFYING MANY OF THE GRIEVANCES OF POORER IRAQIS. NOR DO WE BELIEVE THAT IRAQ FACES SERIOUS EXTERNAL THREATS, DESPITE GENERALLY POOR RELATIONS WITH ITS ARAB NEIGHBORS. NONETHELESS, THE REGIME TALKS AS IF ITS IS BESIEGED BY FOREIGN ENEMIES WHOSE "AGENTS" WITHIN IRAQ ARE WORKING TO "SUBVERT THE IRAQI REVOLUTION". THE FACT THAT IRAQI GOVERNMENT OFFICIALS OFTEN ACT AS IF THEY BELIEVE THIS TO BE TRUE IS A POLITICAL FACTOR OF PRIME IMPORTANCE. AT BEST OUR CONTACTS WITHIN THE GOI ARE CAUTIOUS, AND AT WORST THEY ARE OPENLY SUSPICIOUS.

19. SENSITIVE TO ANY HINT OF INTERFERENCE IN IRAQ'S INTERNAL AFFAIRS, THE REGIME STRIVES TO ISOLATE ITS PEOPLE FROM FOREIGN AND PARTICULARLY AMERICAN INFLUENCE. MOST IRAQIS, INCLUDING GOVERNMENT OFFICIALS, TAKE CARE NOT TO BE SEEN CONVERSING PRIVATELY WITH AMERICANS. BOTH IN PRACTICE AND IN PRINT, THE REGIME HAS EXPRESSED CONTEMPT FOR WESTERN CIVIL LIBERTIES. NONETHELESS, THE REGIME COVETS AMERICAN TECHNOLOGY, EXPERTISE, AND EDUCATION AND WILL PAY SOME PRICE, IN TERMS OF REDUCED INTERNAL CONTROL, PROVIDED U.S. INFLUENCE CAN BE STRICTLY CONFINED AND SCARCE HUMAN RESOURCES ARE RETAINED IN IRAQ. INDIVIDUAL CONTACTS BETWEEN IRAQIS AND AMERICANS ARE INCREASING AND CONTINUE TO PROVIDE OPPORTUNITIES FOR THE IMPROVEMENT OF OUR RELATIONS. THE IRAQI GOVERNMENT SPONSORS THE EDUCATION OF PERHAPS ONE THOUSAND STUDENTS IN THE U.S. IRAQI STATE

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NOW, ALBEIT SUBJECT TO GOI CONTROL, MORE OFTEN ALLOWED TO VISIT THEIR RELATIVES IN THE UNITED STATES. MOREOVER, THE GROWTH OF COMMERCIAL RELATIONS INEVITABLY COMPLICATES THE GOVERNMENT'S EFFORTS TO CONTROL THE THOUGHTS OF

ITS PEOPLE. NONETHELESS, ARBITRARY POLICE PRACTICES HAVE

INCLUDED THE DETENTION AND EXPULSION OF FOREIGN
BUSINESSMEN, INCLUDING SEVERAL AMERICAN CITIZENS. NORMAL
CONSULAR ACCESS HAS BEEN DENIED.

20. THE IRAQI CHRISTIAN MINORITIES HAVE STRONG FAMILY
AND EMOTIONAL TIES WITH THE UNITED STATES. MORE PEOPLE
OF IRAQI ORIGIN, PRIMARILY THROUGH OUR HUMANITARIAN
REFUGEE PROGRAM TO ADMIT INDIVIDUALS PERSECUTED FOR THEIR
RELIGIOUS AND POLITICAL BELIEFS, EMIGRATED TO THE UNITED
STATES IN 1975 THAN FROM ANY OTHER ARAB STATE. WHILE
IN PRINCIPLE THE IRAQI GOVERNMENT IS NOT OPPOSED TO
EMIGRATION, THE DEPARTURE OF EITHER CAPITAL OR SCARCE
HUMAN RESOURCES AND THE STIGMA OF A REFUGEE PROGRAM
PRIMARILY FOR IRAQIS IS RESENTED. IRAQ HAS ALSO STATED
ITS OPPOSITION TO OUR TEMPORARY PROGRAM FOR THE ANNUAL
ADMISSION OF MORE THAN THREE HUNDRED KURDISH REFUGEES.

21. SELDOM EXPRESSED OPENLY AND THUS ALL THE MORE
SENSITIVE AND DIFFICULT TO REFUTE IS THE IRAQI VIEW
THAT THE UNITED STATES SUPPORTS KURDISH NATIONALISM.
COVERT U.S. AID TO KURDISH REBELS FROM 1972-1974,
HOWEVER, INDIRECT, HAS MADE AN INDELIBLE IMPRESSION

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C O N F I D E N T I A L SECTION 5 OF 7 BAGHDAD 0559

FROM THE PRINCIPAL OFFICER

ON LEADERS WHO ARE INTENSELY CONCERNED WITH REAL OR IMAGINED THREATS TO IRAQI SECURITY. THE REGIME HOLDS THAT CURRENT U.S. EFFORTS TO ASSIST KURDISH REFUGEES WHO WISH TO STUDY IN OR EMIGRATE TO THE UNITED STATES ARE AN IRRITANT WHICH, ALONG WITH U.S. POLICY TOWARD ISRAEL, PREVENTS THE RESUMPTION OF DIPLOMATIC RELATIONS. ALTHOUGH IRAQ HAS NOT EXPRESSED UNHAPPINESS OVER THE CONTINUED PRESENCE IN THE UNITED STATES OF KURDISH LEADER MUSTAFA BARZANI, THIS MAY BE DUE TO OUR LACK OF HIGH-LEVEL DIALOGUE AND THE GENERAL RELUCTANCE OF IRAQIS TO ADMIT THEY ARE STILL TROUBLED BY KURDISH DISSIDENTS. IN FACT, THE GOI HAS CONTAINED KURDISH DISSIDENCE AT A RELATIVELY LOW LEVEL. DESPITE ANTI-KURDISH MEASURES SUCH AS THE FORCED RELOCATION OF SOME VILLAGERS, MANY KURDS ARE FULLY INTEGRATED INTO THE IRAQI ECONOMY AND GOVERNMENT. THE VICE PRESIDENT
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OF THE REPUBLIC AND AT LEAST FIVE CABINET MINISTERS ARE KURDS, TO SAY NOTHING OF KURDISH OFFICIALS IN THE AUTONOMOUS REGION. HOWEVER UNSATISFACTORY THIS MAY BE TO KURDISH NATIONALISTS, IT REPRESENTS A START TOWARD DEVELOPING A COMMUNITY OF INTERESTS BETWEEN THE REGIME AND IRAQI KURDS.

22. IRAQ'S AGGRESSIVE PAN-ARAB REVOLUTIONARY IDEOLOGY HAS CONSISTENTLY SOURED ITS RELATIONS WITH ITS ARAB NEIGHBORS. MOST STRAINED OF ALL ARE ITS RELATIONS WITH THE "APOSTATE" SYRIAN REGIME, WHOSE LEADERS, ALSO CALLING THEMSELVES BAATHIS, ARE LOCKED IN A BITTER PERSONAL FEUD WITH THE IRAQI LEADERSHIP. IRAQ HAS CONSISTENTLY ADOPTED RIGID AND DOCTRINAIRE IDEOLOGICAL POSITIONS THAT HAVE INCREASED ITS ISOLATION AND REDUCED ITS INFLUENCE IN THE ARAB WORLD. THE REGIME'S WILLINGNESS TO USE COVERT METHODS AND TERRORISM AND ITS OPEN ESPOUSAL OF ITS RIGHT TO INTERVENE ANYWHERE IN THE "ARAB NATION", HAVE MADE THE GOI AN OBJECT OF SUSPICION BY ALL OTHER ARAB REGIMES. IRAQ HAS AN UNRESOLVED BORDER DISPUTE WITH KUWAIT AND WILL PROBABLY KEEP THE PRESSURE ON THE GOK BY SUCH MEANS AS PERIODIC BORDER INCURSIONS UNTIL THE TIME COMES FOR A FINAL SETTLEMENT OF THIS ISSUE. THE IRAQIS VIEW BOTH THE KUWAITI AND JORDANIAN REGIMES AS LACKING IN FULL LEGITIMACY.

23. THE IRAQI MEDIA RE CURRENTLY ATTEMPTING TO IDENTIFY SYRIA, THE OTHER ARAB STATES BORDERING ISRAEL AND SAUDI ARABIA AS "TOOLS OF THE IMPERIALIST USG" WHO ARE ABOUT TO "SELL OUT" ARAB RIGHTS IN PALESTINE. PURSUANCE OF THIS PROPAGANDA LINE WILL MAKE IT EVEN MORE DIFFICULT FOR

THE IRAQI REGIME TO NORMALIZE RELATIONS WITH THE USG.

24. IRAQ'S RELATIONS WITH IRAN HAVE IMPROVED SIGNIFICANTLY, AND THE LONG STANDING BORDER DISPUTE BETWEEN THE TWO COUNTRIES HAS APPARENTLY BEEN RESOLVED. BOTH COUNTRIES
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ARE TAKING GREAT PAINS TO MAINTAIN PROPER RELATIONS, ALTHOUGH RESIDUAL SUSPICIONS REMAIN, AND THERE ARE STILL A NUMBER OF POTENTIALLY DIVISIVE ISSUES WHICH COULD LEAD TO RENEWED RIVALRY.

25. IRAQI RELATIONS WITH THE SOVIET UNION ARE MARKED BY MUTUAL SUSPICION BUT A RELISTIC ASSESSMENT OF MUTUAL NEED. IRAQ IS ONE OF THE FEW REMAINING BEACHHEADS OF SOVIET INFLUENCE IN THE MIDDLE EAST, AND IRAQ IS HEAVILY DEPENDENT ON SOVIET ARMS SUPPLY AND MILITARY ASSISTANCE. THIS DEPENDENCE LEADS THE IRAQI REGIME TO TOLERATE THE EXISTENCE OF A COMMUNIST PARTY IN IRAQ, ALTHOUGH THE PARTY'S SCOPE FOR ACTION IS STRICTLY CIRCUMSCRIBED. THE GOI WOULD LIKE TO REDUCE ITS DEPENDENCE ON THE USSR AND HAS TAKEN STEPS IN RECENT YEARS TO DIVERSIFY SOURCES OF TECHNOLOGY FOR ITS ECONOMIC DEVELOPMENT. ON ISSUES WHERE IRAQ PERCEIVES ITS DIRECT NATIONAL INTERESTS TO BE INVOLVED, THE GOI SOMETIMES TAKES POSITIONS IN SHARP CONFLICT WITH THOSE OF THE USSR.

26. THE ENVIRONMENTAL FACTORS DESCRIBED ABOVE CONSTRAIN IRAQI POLICYMAKERS JUST AS THEY LIMIT OUR OWN ABILITY TO DEVELOP MORE FRUITFUL RELATIONS. IRAQI LEADERS WANT AMERICAN TECHNOLOGY FOR THEIR FARMS AND FACTORIES, AND THEY SEEK AMERICAN EDUCATION FOR THEIR SONS. THEY ASPIRE TO AN INFLUENTIAL ROLE IN THE REGION, TO BE CONSULTED AND RESPECTED BY LEADERS FO OTHER NATIONS, AND TO BREAK FREE OF THEIR PRESENT ISOLATION. BUT THEIR

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AGR-05 AID-05 CIAE-00 COM-02 DODE-00 FEA-01 NSC-05
TRSY-02 USIA-06 /093 W

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FM USINT BAGHDAD
TO SECSTATE WASHDC 4355
INFO AMEMBASSY AMMAN
AMEMBASSY CAIRO
AMEMBASSY DAMASCUS
AMEMBASSY JIDDA
AMEMBASSY KUWAIT
AMEMBASSY TEHRAN

C O N F I D E N T I A L SECTION 6 OF 7 BAGHDAD 0559

FROM THE PRINCIPAL OFFICER

SENSE OF INSECURITY AND THEIR IDEOLOGICAL RIGIDITY MAKE
THEIR TASK, AND OURS, MOST DIFFICULT.

27. OBJECTIVES AND COURSES OF ACTION

OBJECTIVE A: RESTRAINT ON USE OF IRAQ'S RESOURCES IN WAYS
CONTRARY TO U.S. INTERESTS.

(1) CONTINUE TO ASSIST U.S. COMPANIES TO EXPAND COMMERCIAL
TIES WITH IRAQ IN VIEW OF THE RESTRAINING EFFECT WHICH
SUCH TIES MAY HAVE ON IRAQI DECISION MAKERS.

(2) WIDEN AND IMPROVE QUALITY OF ACCESS BY USINT OFFICERS
TO IRAQI OFFICIALS IN ORDER TO CLARIFY AND EVALUATE IRAQI
INTENTIONS. FOREWARNED IS FOREARMED.

(3) WORK WITH OTHER OPEC COUNTRIES TO LIMIT THE IRAQI
SCOPE FOR JEOPARDIZING THE AVAILABILITY OF CRUDE AT
MODERATE PRICES. OUTSIDE OF CRISIS PERIODS, IRAQ WILL
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IN ANY CASE, BE LIKELY TO INCREASE ITS PRODUCTION.

(4) URGE THE SOVIET, FRENCH AND WEST GERMAN GOVERNMENTS
TO ACCEPT MORE RESPONSIBILITY FOR MODERATING IRAQI
OPPOSITION TO A MIDDLE EAST SETTLEMENT AS PART OF THOSE
GOVERNMENTS' CONTRIBUTION TO SETTLEMENT EFFORTS.

(5) AVOID THE APPEARANCE OF PRESSING FOR A RESUMPTION OF
DIPLOMATIC RELATIONS. IF GOI CONTINUES TO REFUSE
MEANINGFUL DIALOGUE, CONSIDER SMALL REDUCTIONS IN
FLOW OF SERVICES TO GOI THROUGH USINT.

28. OBJECTIVES B: REDUCTION OF GOI SUSPICION THAT USG
REPRESENTS A THREAT.

(1) PROMOTE VIGOROUSLY A MIDDLE EAST PEACE SETTLEMENT WHICH
WILL SATISFY PALESTINIAN LEADERS. THE BAATH LEADERSHIP

OF IRAQ IS CONVINCED THAT ISRAEL, BACKED BY THE U.S., THREATENS THE WHOLE ARAB WORLD. DETERMINED AND EVENHANDED U.S. EFFORTS TO REACH A SETTLEMENT WILL, IF SUCCESSFUL, FORCE EVEN IRAQI IDEALOGUES TO RECONSIDER THEIR PREMISES. SINCE IRAQ HAS HAD TO MODERATELY POOR RELATIONS WITH THE CONFRONTATION STATES, THE EXTENT TO WHICH OUR POLICY ACCOMMODATES THE PALESTINIANS WILL BE MOST IMPORTANT FACTOR FOR IRAQIS.

(2) CONTINUE NORMAL EFFORTS TO RESOLVE THE POLITICAL, ECONOMIC AND CONSULAR ISSUES ARISING BETWEEN OUR TWO GOVERNMENTS AND TO EXCHANGE VIEWS ON MULTILATERAL ISSUES. FREQUENT CONTACT AT THE WORKING LEVEL, ESPECIALLY WHEN WE SEEK AREAS OF MUTUAL INTEREST, IS THE BEST BILATERAL TOOL TO REASSURE THE GOI THAT THE USG INTENDS TO USE NORMAL DIPLOMATIC METHODS TO FURTHER U.S. OBJECTIVES.

(3) CONTAIN USG STATEMENTS ON THE KURDISH ISSUE WITHIN THE FRAMEWORK OF OUR CONCERN TO ALLEVIATE THE HUMAN SUFFERING OF KURDISH REFUGEES. AVOID ANY EXPRESSION OF SYMPATHY FOR KURDISH NATIONALISM, BEARING IN MIND THE HISTORY OF U.S. INVOLVEMENT WITH THE MATTER.

(4) AVOID OPEN REFERENCES TO IRAQ WHEN FORMULATING USG PUBLIC STATEMENTS OF SUPPORT FOR IRAQ'S NEIGHBORS.
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WE OTHERWISE RISK STRENGTHENING THE IMPRESSION THAT WE ARE TRYING TO SURROUND IRAQ WITH A HOSTILE RING OF U.S. CLIENT STATES.

(5) WELCOME ANY IRAQI DIPLOMATIC INITIATIVE WHICH AIMS AT RAISING THE LEVEL OF OUR BILATERAL DIALOGUE. THE POST BELIEVES THAT HIGH-LEVEL MEETINGS BETWEEN U.S. AND IRAQI OFFICIALS ARE UNLIKELY TO BE SUCCESSFUL, OR EVEN TO TAKE PLACE, UNLESS THE GOI CHOOSES THE TIMING AND MAKES THE FIRST OVERTURES. ANY IRAQI INITIATIVE RESPECTING DIPLOMATIC RELATIONS SHOULD BE SIMILARLY WELCOMED.

(6) CONTACT IRAQI VIPS WHO TRAVEL TO THE UNITED STATES, AN ACT WHICH CONSTITUTES AN IRAQI OVERTURE OF SORTS, AND INVITE THEM TO MEET U.S. COUNTERPARTS OR OFFER TO ASSIST THEM IN APPROPRIATE WAYS. PERHAPS 50 IRAQIS, WITH THE RANK OF DIRECTOR GENERAL OR HIGHER, WILL VISIT THE UNITED STATES IN 1977. MANY ARE RESPONDING TO INVITATIONS FROM U.S. FIRMS. OTHERS COME FOR EDUCATIONAL, CULTURAL OR PERSONAL REASONS. ALERTED BY USINT, THE DEPARTMENT AND OTHER INTERESTED AGENCIES CAN

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-----021213Z 033014 /22

R 020730Z APR 77
FM USINT BAGHDAD
TO SECSTATE WASHDC 4356
INFO RUQMKG /AMEMBASSY AMMAN 487
AMEMBASSY CAIRO
AMEMBASSY DAMASCUS
AMEMBASSY JIDDA
AMEMBASSY KUWAIT
AMEMBASSY TEHRAN

C O N F I D E N T I A L SECTION 7 OF 7 BAGHDAD 0559

FROM THE PRINCIPAL OFFICER

CONTACT THESE INDIVIDUALS UNDER CONDITIONS MORE FAVORABLE
THAN THE SUSPICIOUS ATMOSPHERE OF BAGHDAD.

(7) PARTICIPATE IN INTERNATIONAL CONFERENCES HELD IN
BAGHDAD. THE GOI IS EAGER TO HOST SUCH CONFERENCES,
WHICH ARE OFTEN HELD UNDER UN AUSPICES, AND DOES A
GENERALLY GOOD JOB OF SUPPORTING DELEGATES WHO ATTEND. THE
USG OBSERVER AT A RECENT LEGAL CONFERENCE ADDRESSED THE
CONFERENCE ON THE LAW OF THE SEA AND WAS ACCORDED VERY
HOSPITABLE TREATMENT BY THE IRAQI ORGANIZERS. BILATERAL
POLITICAL SPINOFF WILL BE INCREASED BY THE DEGREE TO
WHICH USG PARTICIPANTS KEEP THE DEPARTMENT OF STATE
AND USINT INFORMED OF TRAVEL PLANS. USINT WILL CONTINUE
TO REPORT PLANS FOR SUCH CONFERENCES AS THEY COME TO OUR
ATTENTION.

29. OBJECTIVE C: PROMOTION OF U.S. EXPORTS
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(1) MINIMIZE THE EFFECT ON U.S.-IRAQI TRADE OF DIFFERENCES
ON BOYCOTT ISSUES BY (A) POINTING OUT TO THE GOI THE NEGLIGIBLE
EFFECT OF ITS INFLEXIBLE BOYCOTT POSITION ON ISRAEL,
FOR WHICH IRAQ PAYS A HIGH PRICE IN ITS LOSS OF ACCESS
TO U.S. TECHNOLOGY, (B) ENCOURAGING IRAQIS TO MAKE

EXCEPTIONS TO THEIR GENERAL BOYCOTT POLICY.

(2) EMPHASIZE ASSISTANCE TO U.S.-BASED MULTI-NATIONAL CORPORATIONS, WHICH HAVE THE TECHNOLOGY THAT THE IRAQIS WANT AS WELL AS THE RESOURCES REQUIRED TO DEVELOP THE IRAQI MARKET.

(3) UTILIZE "THIRD-COUNTRY CONNECTIONS", SUCH AS THAT WITH THE YUGOSLAVS, WHICH ALLOW U.S. SUPPLIERS AND SUB-CONTRACTORS TO BENEFIT FROM THE POLITICAL AND COST ADVANTAGES THAT THESE THIRD COUNTRIES ENJOY.

(4) TAILOR TRADE PROMOTION EVENTS TO IRAQI CIRCUMSTANCES AND INTERESTS. TECHNICAL SALES SEMINARS WHICH APPEAL TO THE IRAQI DESIRE FOR TECHNOLOGY AND PARTICULARLY SUITABLE, ALTHOUGH PARTICIPANTS SHOULD BE AWARE THAT SUCH SEMINARS ARE NOT LIKELY TO LEAD TO LARGE IMMEDIATE SALES.

(5) ENCOURAGE IRAQI PARTICIPATION IN TRADE EXHIBITIONS EITHER IN THE U.S., AT THE TEHRAN TRADE CENTER, OR AT INTERNATIONAL FAIRS AND TRADE EXHIBITIONS IN THE AREA.

30. OBJECTIVE D: REDUCTION OF THE SOVIET PRESENCE AND ENCOURAGEMENT OF IRAQ TO BE MORE GENUINELY NON-ALIGNED.

(1) RECOGNIZE IRAQ'S OWN DESIRE TO LIMIT THE SOVIET PRESENCE AND AVOID LENDING FALSE CREDENCE TO ALARMIST REPORTS OF SOVIET BASES IN IRAQ OR IRAQI SUBSERVIENCE TO SOVIET POLITICAL STRATEGY.

(2) ENCOURAGE THE GROWING IRAQI INTEREST IN THE USE OF WESTERN TECHNOLOGY IN PREFERENCE TO THAT OF THE EAST BLOC.

(3) ADOPT A NEUTRAL STANCE TOWARDS IRAQI PURCHASE OF ARMS FROM OTHER WESTERN NATIONS WHICH WOULD LESSEN IRAQI DEPENDENCE ON SOVIET UNION.

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(4) ADOPT A LESS RIGID POLICY ON THE EXPORT TO IRAQ OF CONTROLLED TECHNOLOGY. THE POST DOES NOT RECOMMEND SIGNIFICANT MILITARY SALES, BUT A REFUSAL BY USG TO APPROVE SALES OF CERTAIN NON-LETHAL ITEMS MAY DEEPEN IRAQI DEPENDENCE ON THE SOVIET UNION. A BLANKET REFUSAL TO SEEL TO MILITARY END USERS MIGHT ALSO NURTURE THE IRAQI SUSPICION THAT USG WOULD LIKE TO WEAKEN IRAQ'S INTERNAL SECURITY AND DEFENSIVE CAPACITY.

31. OBJECTIVE E: PROTECTION OF AMERICAN CITIZENS.

(1) CONTINUE VIGOROUS EFFORTS TO GAIN CONSULAR ACCESS TO AMERICANS, INCLUDING THOSE OF IRAQI ORIGIN.

(2) CONSIDER AN EXPRESSION OF CONCERN BY THE DEPARTMENT IF IRAQI AUTHORITIES AGAIN TREAT AMERICAN CITIZENS IN AN ARBITRARY MANNER.

32. OBJECTIVE F: EXPANSION OF PERSONAL AND CULTURAL

INTERCHANGE.

(1) ENCOURAGE IRAQI STUDENTS TO ATTEND U.S. UNIVERSITIES.

U.S. EDUCATION SHOULD DECREASE THEIR SUSCEPTIBILITY
TO CRUDE ANTI-AMERICAN PROPAGANDA AND CREATE MORE PRIVATE
SECTOR TIES.

(2) FACILITATE ISSUANCE OF IMMIGRANT AND NON-IMMIGRANT
VISAS. USINT VISA ISSUANCE IS A SERVICE DESIRED BY THE
GOI, ORDINARY IRAQIS, AMERICAN COMPANIES AND AMERICAN
CITIZENS WITH TIES TO IRAQ.

(3) CONTINUE LOW-KEY REFUGEE PROGRAMS FOR IRAQI NATIONALS
APPLYING OUTSIDE IRAQ BUT AVOID PREJUDICING SUCH PROGRAMS
AND BROADER U.S.-IRAQI RELATIONS BY UNDUE PUBLICITY.

(4) SEEK OPENINGS FOR U.S. CULTURAL AND INFORMATION
PROGRAMS IN IRAQ.

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